

Why making mobile data cheaper is vital to kickstarting startup sector

 By [Greg Chen](#)

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It's a widely acknowledged truth that if South Africa is to escape the economic morass it finds itself in, it needs to provide as much support to small and medium-sized enterprises (SMEs) as possible.



Greg Chen, CEO of Mbbiz

One of the most powerful ways of doing so is to lower the cost of mobile data. And while there have been encouraging moves in this direction (most notably in Treasury's recent economic policy discussion paper), government could go much further.

In fact, I'd argue that government radically underestimates the impact lower data costs could have on startups in South Africa.

The policy discussion paper, which rightly identifies startups as a growth engine for the economy, identifies spectrum as key to cutting mobile data cost.

At present, spectrum - the radio frequencies used to send data - is limited in South Africa because of the many services using what is currently accessible (most notably, analogue TV signals).

Treasury argues that "spectrum should be allocated through an auction, with provisions for effective rivals, conditions for universal service and access, and a small set-aside for a wholesale open-access network."

Exorbitant data costs

While that may be a step in the right direction mobile data continues to be unaffordable to most South Africans. This unaffordability doesn't just affect consumers, but also the businesses trying to reach out and appeal to them. If implemented, Treasury's plans will certainly move the needle in this regard.

In order for any business to grow, it has to be able to connect meaningfully with its customers. In today's world, that means feature-rich, hyper-personalised customer communications that appeal to people as individuals.

If that's to happen, the government has to go a step beyond.

Incentivising networks to provide heavily discounted mobile data packages for startup clients could improve the situation even further by way of example. Incentives for anyone who zero-rates communication between startups and customers (within the bounds of regulations like PoPI) would be better still.

Enterprise-scale companies, who are able to absorb their customer's data costs, have already seen the benefit of this kind of smart communication. Using the right platform, they can achieve much higher rates of engagement and customer spend.

Improved communication

Unlike large corporates, however, most small businesses can't afford to absorb their customers' data costs. Were data costs to fall as dramatically as some have predicted if additional spectrum were to be made available, small businesses could begin to unlock the kind of value seen by their bigger counterparts and more besides.

At any given moment, more than 50% of South African's do not have airtime. That means traditional digital marketing is not reaching at least half of its intended audience

Falling data costs would have other benefits besides improving customer communication too.

With readily available internet access, shoppers can find the best deals available and commuters can identify the most efficient and affordable routes to and from their places of work. The cumulative savings from this information can be significant, and some portion of these savings at least would likely find its way to local businesses.

Spectrum allocation isn't just a 'nice-to-have', nor is it too late to make a difference, but the government needs to go further. And, if it doesn't take this chance, it will have failed small business owners across the country.

ABOUT GREG CHEN

Greg Chen is the CEO and co-founder of Mbbiz. He has a long history in the South African mobile space and is passionate about the role technology can play in engaging the country's people across the spectrum

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